

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-07

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INFO AMEMBASSY COPENHAGEN

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E.O. 11652: N/A

TAGS: PFOR, EGEN, FI

SUBJECT: KEKKONEN STATE VISIT: BRIEFING MATERIAL -- SIGNS OF
ECONOMIC RECOVERY IN FINLAND

REF: HELSINKI 1491 (NOTAL)

1. SUMMARY: AFTER NEARLY TWO YEARS OF CONTRACTION THE
FINNISH ECONOMY IS BEGINNING TO SHOW SOME SIGNS OF RECOVERY.
FINANCE MINISTRY PUBLISHED JULY 20 BRIEF ANALYSIS OF STATE
OF ECONOMY AND CONCLUDED THAT BOTTOM OF FINLAND'S ECONOMIC
RECESSION HAS BEEN REACHED AND THAT ECONOMY WILL BEGIN TO
EXPAND DURING FIRST PART OF NEXT YEAR. HOUSEHOLDS ARE NOT
EXPECTED TO REALIZE ANY GROWTH IN REAL INCOMES THIS YEAR,
BUT TRADE DEFICIT SHOULD BE LESS AND INFLATION RATE SHOULD
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BECOME SMALLER DURING THE LAST HALF OF 1976 AS COMPARED TO

THREE IMMEDIATELY PRECEDING 6 MONTH PERIODS. END SUMMARY.

2. THE ECONOMIC UPTURN IN SEVERAL WESTERN COUNTRIES HAS BEGUN TO STIMULATE FINNISH EXPORTS. DURING FIRST HALF OF THIS YEAR VALUE OF EXPORTS WAS 10 PERCENT HIGHER THAN DURING THE CORRESPONDING PERIOD LAST YEAR. EXPORTS OF METAL INDUSTRY INCREASED PARTLY BECAUSE OF LARGE SHIP DELIVERIES, BUT EXPORTS OF OTHER INDUSTRIAL BRANCHES HAVE ALSO INCREASED. EXPORTS OF LUMBER, PAPER AND PULP HAVE BEGUN TO SHOW INCREASES OVER LAST YEAR'S LOW LEVELS. WHILE PAPER PRICES ARE LIKELY TO REMAIN AT PRESENT LEVEL, IT IS EXPECTED THAT LUMBER PRICES WILL INCREASE DURING LAST HALF OF THIS YEAR. VALUE OF TOTAL EXPORTS WILL PROBABLY INCREASE THIS YEAR BY NEARLY ONE-FIFTH COMPARED TO 1975.

3. DURING JANUARY-JUNE 1976 VALUE OF FINNISH IMPORTS WAS 10 PERCENT LESS THAN DURING FIRST SIX MONTHS OF 1975. VALUE OF IMPORTS WAS LOWER IN ALL MAJOR CATEGORIES. FINANCE MINISTRY PREDICTS THAT VALUE OF IMPORTS DURING LAST HALF OF 1976 WILL INCREASE ONLY SLIGHTLY ABOVE LAST HALF OF 1975.

4. FINLAND'S TRADE DEFICIT DURING FIRST HALF OF 1976 WAS JUST LESS THAN HALF OF JANUARY-JUNE 1975. BECAUSE OF THIS FAVORABLE DEVELOPMENT FINANCE MINISTRY HAS LOWERED ITS FORECAST OF 1976 CURRENT ACCOUNT DEFICIT FROM FMK 5 BILLION TO FMK 4 BILLION.

5. UNEMPLOYMENT DURING FIRST HALF OF 1976 WAS NEARLY TWICE AS HIGH AS IN PREVIOUS YEAR. UNEMPLOYMENT IS EXPECTED TO REMAIN HIGH DURING SUMMER MONTHS BECAUSE OF SEASONAL LAY-OFFS. FINANCE MINISTRY ESTIMATES THAT SEASONALLY ADJUSTED UNEMPLOYMENT WILL NOT EXPAND SIGNIFICANTLY IN THE FALL. ALREADY NOTICEABLE INCREASED ECONOMIC ACTIVITY IN SWEDEN MAY BEGIN TO DRAW MORE OF FINLAND'S UNEMPLOYED WORKERS TO SWEDEN, IMPROVING UNEMPLOYMENT FIGURES HERE.

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6. PRICES CONTINUE TO RISE IN FINLAND BUT THE RATE OF INCREASE HAS FALLEN SOMEWHAT FROM THE HIGH 1975 LEVEL. CONSUMER PRICE INDEX INCREASE FOR ALL OF 1976 WILL LIKELY BE IN RANGE OF 9-12 PERCENT. INCREASE OF MONEY INCOME WILL PROBABLY NOT KEEP PACE WITH INFLATION WHICH MEANS THAT REAL INCOMES WILL LIKELY REMAIN LOWER THAN LAST YEAR. VIEWING THE ECONOMY AS A WHOLE THIS IS A HELPFUL MOVEMENT OF ECONOMY TOWARDS EQUILIBRIUM. IN

1975 GROSS DOMESTIC PRODUCT DECREASED BY 0.5 PERCENT
WHILE REAL INCOMES INCREASED BY 4.5 PERCENT.
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